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Are New Zealand Tourism SMEs Ready for the Chinese Market?

A Focus on Quality Management

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ABSTRACT

The purpose of this study was to investigate quality management strategies applied in small tour attraction organisations (with 0 to 49 employees) in Auckland and identify operators' understanding of Chinese visitor's expectations of New Zealand as a tourist destination. Semi-structured interviews were conducted with ten attraction operation managers in September 2008. The results of interviews have provided insights to the questions for the online questionnaire survey which was carried out in November 2008. The survey targeted 252 small tour attraction operators in Auckland. 39 respondents completed the questionnaires. The interview results show the major themes of findings in terms of quality management strategies and tour attraction operators' understanding of the Chinese market. It was found that there was a general lack of awareness of quality management systems and their benefits; some tour operators realize the benefits of quality certification for marketing purposes. Quality management is not treated as a priority. Depending on product features, industry standards were generally considered as most appropriate for quality control. Small tour operators collect and analyse client information on a casual basis. Staff training is considered to be an important quality management initiative. The respondents showed a limited understanding of the Chinese market and lack of specific operational plans in place. However, the results also revealed that some operators who have had past experience with the Chinese market maintain an interest and are prepared to take actions in developing the Chinese market. The results of online surveys are similar to the findings identified in the interviews. It can be concluded that small tourism operators in Auckland are not ready for the emerging Chinese market. Operators are lacking techniques to apply quality management systems. While interested in the Chinese market, several operators do not have operational plans to meet the Chinese tourist expectations. Education and training are required to promote China as an emerging market. The findings from this research indicate the importance of ensuring that small tour operator owners understand and see the relevancy of quality standard to their organisation. This research has provided some important insights and themes that are worthy of further examination. Similar research needs to be conducted in other regions in New Zealand. Comparative studies across sectors should be undertaken to identify understanding of quality management.

Keywords: tourism quality management; SMEs; customer expectation; Chinese market.

INTRODUCTION

Literature in service quality management reinforces that a tourism organisation should have programmes in place to improve service quality on a continuous basis in order to stay competitive and to meet increasing customer expectations. In New Zealand, the tourism industry is made up of

a few big organizations and a very large number of small to medium sized enterprises (SMEs). Previous research conducted in small tour attractions in Rotorua, New Zealand shows that developing appropriate quality measurement and improvement techniques are important for SME tourism organisations. It also suggested that customers from different market have different expectations and perceptions about a tour attraction. The findings from three case studies in Rotorua also indicate the need to understand the role played by managerial motivations in the decision by tour attraction operators to engage with and apply quality assurance systems to their business operation (Liu, 2007).

Service quality has become an important issue for many tourism organisations due to the growing sophistication of customer demand. The adaptation of quality management techniques is generally regarded as having positive implications for business performance and is viewed as an effective means for organizations to achieve competitive advantages (O'Neill & Charters, 2000). Quality management systems is defined as the organizational structure, responsibilities, procedures, processes and resources for implementing total quality management (Oakland, 2003). The delivery of quality is a commitment to continuous improvement which requires a systematic approach to quality measurement. For best practice, a tourism company needs to establish its own quality management system to differentiate it from its competitors and offer a unique experience to the visitors and ensure customer satisfaction and loyalty (Eraqi, 2008).

This research was conducted in the Auckland region. As New Zealand's only metropolis at an international scale, Auckland is also New Zealand's major international gateway and leading destination. New Zealand regional tourism forecasts (2008-2014) expect international visits to Auckland to increase from 2.4 million in 2007 to 3.1 million in 2014. Ninety per cent of the Chinese tourists visited Auckland for their New Zealand trips (Tian, 2008). This trend will create a market sector with different expectations and challenges for New Zealand tourism operators in understanding what their visitors' core needs are. Therefore, it is significant to explore the quality management strategies applied in small tour attractions in the Auckland region and identify business owners' understanding of customer expectations and perceptions so that results can be compared and generalized for all New Zealand small tour operations.

China is an emerging tourist market in New Zealand. It provides a huge opportunity to the New Zealand tourism industry with the world's largest population and a fast-growing middle-class. There are over 30 million Chinese travelling every year and their travel confidence, awareness of the outside world and disposable incomes are growing rapidly (Tourism New Zealand, 2008). China remains the 4th leading international market after Australia, UK, and USA for the year ended November 2008, with an annual arrival of 112,155 people (Ministry of Tourism, 2009). In April 2008, Tourism NZ promoted the *100% Pure* brand which directly targeted consumers in China. A research conducted after the campaign found that Chinese travel habits, confidence and perceptions of New Zealand are different from other markets. They see New Zealand as a rural country that neighbors Australia and is often associated with farms, sheep and vast green pastures. Landscape is a key part of the appeal to Chinese, they also prefer physical challenges but not too extreme as the western market. It was also found that Auckland cannot provide suitable services and experiences to match visitors' expectations. Most Chinese visitors found Auckland's attractions unattractive due to language barriers and itinerary issues (Tourism New Zealand, 2008). Facing the opportunities and challenges from the Chinese market, it is important to investigate the strategies that Auckland small tourist operators can apply to enhance their quality delivery and their knowledge and understanding of the emerging Chinese market in order to design and promote New Zealand tourism products in an effective way.

This research employed a two-stage approach using qualitative interviews and quantitative surveys. The mixed research method can provide better opportunities to answer the research questions and lead to greater confidence to be placed in the conclusion (Saunders, Lewis & Thornhill, 2007, p. 147). The target sample was small tour attraction owner/manager from the Auckland region. Quantitative data was analysed using SPSS software. Qualitative data was analysed using NVivo through a coded theme process. This article presents the key findings and discusses the implications of the results for future research.

RESEARCH METHODS

A two-stage approach was employed in this research in order to answer the research questions. The research objectives are:

1. To identify quality management strategies that applied by SME tourist attractions
2. To explore attraction operators' motivation to join quality accreditation systems such as Qualmark
3. To identify attraction operators' understanding of the Chinese market
4. To explore operational strategies available to meet the emerging Chinese market expectations.

The target population for this research was small tour operators with 0 to 49 employees. This research focused on the attraction and activity operators located in the Auckland region. In September 2008, ten semi-structured interviews were conducted with tour attraction managers who were selected from seven categories listed in the Tourism Auckland operators' database. The face-to-face interviews were recorded and transcribed. The qualitative data was analyzed using NVivo through a coding process. The outcomes of interviews have informed the questions asked in the online survey which focused on a larger sample group. The qualitative information obtained from interviews also provides explanations for the survey results. A broad-section of operators from Auckland was invited to participate in the online survey. 252 operators which met the sampling criteria were invited through Tourism Auckland to participate in the online questionnaire survey. The survey questionnaire consists of questions on respondents' business profiles, quality management strategies and operators' understanding of the Chinese market and business strategies to meet Chinese market expectations. The survey was administered in November 2008 for two and half weeks. Altogether thirty-nine respondents completed the questionnaires that were usable for analysis. Results of the online questionnaire survey were analyzed using the SPSS software to generate descriptive patterns and trends of the findings.

FINDINGS

Interview Results

The majority of the interviewees have identified the strategic importance of quality management; however, there appeared a general lack of awareness of quality management systems and their benefits. The examples are: *"We are trying to achieve quality standards but not necessarily Qualmark certified. ...We don't know the benefits of it for us here"* *"To be honest, the only benefit really from Qualmark is that we cannot afford not to be endorsed. It is a very competitive environment"*. *"Training is enough. Qualmark doesn't make a lot of sense to our business; it is like a Warranty of Fitness for a car"*. Some interviewees realised the benefits of quality certification for marketing purposes. *"The Qualmark is a marketing tool. It is good to have the backing, but it is also a little limiting. They have no room to move... it is too general and missing something for a particular program"*. *"If we target international markets, Qualmark*

is more useful, but our market is more domestic". "Qualmark is definitely in our strategic plan. Ultimately it is something should be done".

The interviewees expressed their current quality management strategies and their motivations to join a quality certification system such as Qualmark. It was found that quality management is not treated as a priority. For instance, *"...Due to lacking of funding in things we have, we probably not focused on quality as much". "We are always busy with administration and marketing. Unfortunately, quality management has become the 3rd or 4th on the priority list. ...We don't have a quality system in place". "I am the only owner. I spent a lot of time on marketing and driving... quality management is not my priority. In reality, I don't think it is necessary to join Qualmark"*. Depending on product features, industry standards were generally considered as most appropriate for quality control. Some claimed *"We use a trade pack for therapist training". "Code of practice for horse trekking and Best Industry Practice are used here. We use safety plans and pre-trek safety instructions."* *"We have wine-making standard to follow for the wine market such as bottling and wine production". "Our brand speaks for itself". "Safety management is part of quality control. We have written safety standards and are externally audited"*.

As a common practice, the interviewees collect and analyse client feedback information on a casual basis. Some explained that *"We collect voluntary customer feedback. The comment forms are left on the counter in the office. They can post or drop their completed forms"*. *"We get a lot of customer feedback through emails and orally. We don't do it formally"*. *"We keep a record of where people coming from and do that at the front desk"*. *"Two to three times a month, we run a customer survey. Not really analyse them, but we look at the results if there are concerns"*. *"We don't analyse customer feedback but we always get back through the phone or email if there is any problem"*. Many interviewees consider staff training as an important quality management initiative. Some interviewees believed that *"Staff up-skilling and training are important"*. *"Quality depends on the people working on the floor. If personal drama gets in the way, quality falls"*. *"Quality means to do the best job in employing the quality people"*. Examples of staff training are: *"Each department has a weekly meeting. Each staff has an annual appraisal for their promotion. It helps them to set new target for the next year"*. *"We have training programme and commentary guide for drivers who are trained once a year"*.

The interviewees showed a limited understanding of the Chinese market and most of them did not have specific operational plans and programmes in place to meet the Chinese visitors' expectations. Only a small number of operators have done some research about the emerging market. They explained, *"We offer a standard New Zealand product and showcase New Zealand in general."* *"We treat the Chinese the same as everyone else"*. *"We do nothing about the Chinese market. We go to the Auckland airport to leave our brochures there but 95% of our businesses are from the locals"*. *"No plans, any market information is useful for us, not necessarily the Chinese market"*. *"We are not going to particularly tailor tour just for the Chinese market"*.

The results of interviews also showed a relationship between the level of involvement in the Chinese market and the operator's background. Those who have had past experiences with the Chinese visitor groups maintain an interest and are prepared to take actions in designing programs and activities to meet the Chinese market requirements. For example, *"We have Chinese living with us since 1990s, so we have a reasonable understanding of the Chinese culture. We research on what newspapers and magazines they read and where they live. We do market research all the time to find out what is happening in the community in Auckland"*. *"We*

are having Chinese groups from A-China Travel as a package tour group. Some Chinese are inspired wine-drinkers. They love red colour wine and lovely bags and boxes for packaging. We provide an historical document with pictures to the Chinese market and we use Chinese newspapers for advertisement". "I don't have any particular drive to develop the Chinese market. ... It is little bit of unknown situation. If they come to me and interested in what we do, then we will modify what we've got here". The majority of the respondents understood the importance of understanding Chinese culture and language and a few of them have developed Chinese brochures and hired Chinese speaking staff. Some realized the problems associated with the distribution and delivery of iconic experiences in New Zealand to the Chinese market and suggested that more assistance is needed from Tourism New Zealand to control the quality of experiences being offered. Some considered China as an unknown market and emphasized that operators need to be careful about the growth as *"we don't see many of Chinese travelers here"*.

Survey Results

The 39 online survey respondents came from a wide-range of attraction categories; however, 25% of them were from areas such as garden tours, golfing, sailing and cruising. Nearly half of the respondents have been operating in their businesses for over ten years (47%), almost one third of them worked in the industry for over six years. 8% of them have been operating in the business for less than three years. 67% of them have 1 to 5 full-time employees. One third of them have part-time and casual employees. 31% of the respondents have joined Qualmark, the New Zealand quality mark. Among the 69% of un-certified companies, only 25% have the intension to join in the future, with the remaining answered No (25%), Maybe (25%) and Don't know (22%), respectively. Less than half of the respondents are focusing on international markets, more than one third are serving the domestic markets and 21% are focusing on the locals from Auckland. Almost half of the respondents selected customer survey as quality control strategies, some used industry-related assessment such as code of practice, Critical Process Inspections, best industry practice, industry standard such as wine making standard, quality training manual for spa, sanction management for vessels, PGIs (Periodic General Inspection), Auditing by Bureau Veritas which belongs to Standard New Zealand. Some attractions are under the monitor of the Ministry of Agriculture and Fishery. Certification was considered as another tool for quality management, other strategies included staff training which was supported by the findings in the interviews. For example, *"If staff is stressed, customers are stressed"*. Results showed that only a small number of the respondents have used Tourism Awards as external quality measurement.

Among the in-house quality measurement approaches identified, emailing to customers for feedback is the first choice. Some use questionnaires and customer comment cards; mystery shoppers and newsletters are considered as practical by some operators. Other measurements are used such as Visitor books, a kind of comment cards, and net promoter score. Some of the interviewees explained the reasons for their intention to use emails for getting customer feedback as a personal touch. For example, *"we get a lot of informal feedback through emails and newsletters. We are quite visible especially in the service environment. We take everyone seriously and we will reply to queries through emails"*. In terms of quality management techniques, only some of the respondents conduct market survey each year (9.4%). A small number of operators get market feedback casually (6.3%) and monthly (3.1%), respectively. While the majority of the respondents collect customer information at an on-going basis, the actions for follow-up or making use of customer information and feedback are varied among

respondents. More than one third of them keep a written record of customer comments and database, but only 19% of them process the data collected. 22% of them solve problems through responding to complaints. Some operators evaluate customer feedback among staff team such as discussions at weekly meetings.

The respondents expressed their reasons for becoming quality-endorsed. More than one third of them joined Qualmark for marketing benefits, especially for the international market. 27% of them consider joining quality accreditation as a necessity for competition. Some believe that customers expect value for money as they come through the door and the company has to deliver it. Another 18% of the respondents were motivated for the financial benefits when employing quality strategies such as Qualmark. The respondents were asked to indicate challenges in applying a quality management strategy. Lack of time is considered as the biggest challenge in implementing a quality management program for SME operators. The interviewees explained that *“we are only a family business; we don’t have time to prepare documents and plan for strategies”*. *“Cost is considered as another factor. Motivation to maintain quality is challenging”*. *“We have been successful in creating a brand and unique experience but less successful economically”*. Some respondents found changing people’s attitude about quality is challenging. *“Staff training demands money and time. We don’t have full-time staff to do it”*.

The result shows that 16 out of the 39 survey respondents have been involved with the Chinese market (41%). The majority of them have been serving this market for over three years. A small number of operators just started having Chinese customers between six months and a year. The respondents shared similar understanding of the Chinese market expectations about New Zealand as a destination which were also identified by the interviewees. For example, *“experiencing something different from home, green and clean environment”* have been recognized as the main reasons for visiting New Zealand, yet a small number of the respondents *“do not know”* what the Chinese are expecting at all. The respondents have indicated some operational plans to meet the Chinese market requirements. For example, half of the respondents plan to network with other tourism sectors in Auckland such as inbound tour operators and work together with the operators who have had experiences with the Chinese market. Some suggested providing signage on site and brochures in the Chinese language. While a small number of the respondents planning to improve marketing activities such as updating websites and advertising in the Chinese newspapers in Auckland, nearly half of the respondents had no plans at the moment. While 44% of the respondents showing interests in developing the Chinese market, 28% said No and yet another 28% never thought about it.

The respondents were asked to indicate their operational plans to meet the growing Chinese market. The results show that only 17% of the respondents have specific strategies in place to meet the Chinese market expectations, the majority (83%) did nothing in particular. Only 25% of the respondents believe the Chinese market may have an increase in number, 11% said “No” and more than half of them “Don’t know” whether there will be a market growth.

CONCLUSIONS AND RECOMMENDATIONS

This article describes the process and findings of an exploratory research undertaken in Auckland through ten interviews of small tour attraction operators and 39 online questionnaire surveys. The results showed that small tourism operators in Auckland are not ready for the emerging Chinese market. Small tour attraction operators are lacking techniques to apply quality management systems. While interested in the Chinese market, several operators do not have operational plans in place to meet the growing Chinese market expectations. One explanation for

these answers may lie in respondents' lack of information and research on the emerging market. At the time of survey, the tourism industry had started to see the drop in international arrivals due to the global economic downturn. These opinions were perhaps influenced by the respondents' low confidence in market growth. This suggests that education and training of small tour operators are required to promote China as an emerging market.

Another important finding from this research is the importance of ensuring that small tour operator owners understand and see the relevancy of quality standard to their organization. As suggested in the New Zealand Regional Visitor Monitor program, focus on quality, on-going improvement and customer satisfaction are the most important in order to maintain or grow market share and to extract maximum values from each customer, especially in difficult economic time (Angus & Associated Limited, 2008). The results showed that most operators realise that quality certification is an inevitable requirement for many businesses. This finding has confirmed the view that many of the small tourism enterprises that participated in national quality schemes aim at obtaining a certificate in order to magnify their promotional strengths rather than to increase customer satisfaction (Augustyn, 1998).

The findings from the online survey are similar to that of the qualitative interview responses. The interview comments have enriched the results obtained from the quantitative survey, however, the results are not as representative of the broad population due to low response rate. This exploratory study can inform future research in these areas and provide a basis for further investigation using larger sample groups to enhance the reliability of findings. The findings of this research will benefit the tour attractions involved in this research and the general tourism industry in understanding the importance of quality management strategy to the design and delivery of quality service. While the findings of this research contribute to the current level of quality management strategies applied in the Auckland small tourist attraction sector, there are several limitations in this study. The small sample size and low response rate have restricted more robust statistical analysis such as correlation analysis using Chi-Square.

The conclusions of this research reinforce the importance of training of small tour operations on quality management systems and how quality management techniques can be tailored to different tourism experiences. This finding has confirmed the fact that getting support from management is critical. Staff must be provided with extensive training particularly in communication and quality skills to ensure compliance with real practice and documentation (Calisir, 2007). Although the research findings are not representative to the overall tourism industry in New Zealand, they have provided some important insights and themes that are worthy of further examination. Similar research needs to be conducted in other regions in New Zealand. Comparative studies across sectors should be undertaken to identify understanding of quality management and the effectiveness of applying appropriate quality management tools. Regional Tourism Organisations (RTOs) can work with research institutions to enhance outcomes of research activities.

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